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TO RUEHC/SECSTATE WASHDC IMMEDIATE 6706  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBY/AMEMBASSY CANBERRA 0611  
RUEHBJ/AMEMBASSY BEIJING 1556  
RUEHKA/AMEMBASSY DHAKA 4639  
RUEHNE/AMEMBASSY NEW DELHI 4148  
RUEHUL/AMEMBASSY SEOUL 7701  
RUEHKO/AMEMBASSY TOKYO 5260  
RUEHCN/AMCONSUL CHENGDU 1227  
RUEHCHI/AMCONSUL CHIANG MAI 1141  
RUEHCI/AMCONSUL KOLKATA 0093  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHGV/USMISSION GENEVA 3345  
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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001035

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STATE FOR EAP/MLS; INR/EAP; OES FOR JMOTKE AND ACOVINGTON;  
EAP FOR JYAMAMOTO; EEB FOR TSAEGER  
PACOM FOR FPA;  
TREASURY FOR OASIA: SCHUN

E.O. 12958: DECL: 10/19/2017  
TAGS: [ECON](#) [ENRG](#) [PGOV](#) [EPET](#) [BM](#)  
SUBJECT: LIMITED PRODUCTION FROM BURMA,S ONSHORE GAS WELLS

REF: A. RANGOON 746

[1](#)B. RANGOON 706

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b,d)

[1](#)1. (C) Summary. The GOB earned more than \$2 billion in revenues last year from the oil and gas sector, although very little came from Burma's onshore fields. The Myanmar Oil and Gas Enterprise (MOGE) controls more than 70 percent of onshore fields, although the GOB has recently granted foreign firms, particularly Chinese companies, new production contracts. Current onshore production averages 10,000 barrels a day, far short of the domestic demand of 40,000 barrels a day. While industry analysts agree that huge oil and gas reserves exist under Burma's soil, the MOGE lacks the technology and infrastructure to dig deep enough through high pressure areas for extraction. Foreign companies have no plans for new investments, despite repeated requests by MOGE.  
End Summary.

FDI from China? No Problem  
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[1](#)2. (C) Although the GOB encourages foreign companies to invest in the offshore oil and gas sector, it limits the rights of foreign companies to drill onshore. The Myanmar Oil and Gas Enterprise (MOGE), the state owned company responsible for oil and gas production, controls more than 70 percent of onshore fields. Under Burmese law, only the state can invest in the onshore oil and gas sectors; if a foreign company wants to invest, it must enter into a joint venture with MOGE. Ye Myat Soe, Technical Coordinator for Focus Energy (a joint venture between MOGE and the Swiss), informed

us that in recent years, the GOB granted exceptions to several Chinese companies in the hope that they would be able to expand onshore production. Only four companies, Burmese-owned Myanmar Petroleum Resources Limited (MPRL), Focus Energy, Chinese-owned CNPC/Chinnery Assets, and Indonesian-French GoldPetrol, are currently producing from their fields. Other foreign companies, including Chinese-owned Sinopec and CNOOC, Russian-owned Sputnik, and Indian-owned Essar, have exploration rights in ten onshore oil fields.

13. (C) Ye Myat Soe explained that the GOB has been slow in approving foreign investments in the onshore gas sector. Although it took Focus Energy six months to negotiate its production sharing contract (PSC), other companies, including GoldPetrol and Essar, only received approval after an 18 month wait. Because the GOB actively pursued investment from CNPC and CNOOC, the Chinese were not subject to the GOB's approval whims.

#### Current Onshore Production

14. (C) Despite production success in gas fields offshore (reftels) and more than \$2 billion in revenues from the sale of oil and gas, investors in Burma's onshore oil and gas fields continue to struggle. Currently, companies produce approximately 10,000 barrels of oil a day, far less than domestic demand of 40,000 barrels a day. Industry insiders noted that Burma imported 89 percent of crude oil it used in 2006, despite GOB officials' claims that Burma has not imported crude oil since 2003.

#### Burma's Major Onshore Oil and Gas Fields

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Company	Field	State/ Name	Production Division	Reserves
			Daily	
MOGE	Nyaungdon	Rangoon	1069 barrel	297 bil/CF
	Apyauk	Rangoon	220 barrel	483 mil/CF
	Myanaung	Irrawaddy	51 barrel	76 mil/bar
	Letpando	Magwe	668 barrel	16 mil/bar
	Thargyitaung	Magwe	493 barrel	138 mil/bar
	Chauklanywar	Magwe	541 barrel	400 mil/bar
MPRL	Mann	Rangoon	2036 barrel	433 mil/bar
Focus	Kanni	Magwe	1934 barrel	56 mil/bar
	Htauksabin	Magwe	607 barrel	157 mil/bar
CNP	Pyitaung	Bago	201 barrel	50 mil/bar
Gold- Petrol	Yenangyaung	Magwe	1810 barrel	540 mil/bar
Total			9300 barrels	

Source: MOGE

15. (C) Seismic data shows that there are still oil and gas deposits in Burma, although they are located deep beneath the surface under areas of high pressure. Industry analysts blame MOGE for Burma's low onshore production, noting that the state-owned enterprise, with its antiquated technology, lack of geologic understanding, and desire for immediate wealth, depleted shallow oil reserves without exploring ways to extract the richer deposits below. To tap into the remaining reserves, investors would need to employ the newest drill technology, digging on a diagonal to avoid the high pressure areas. Focus Energy and GoldPetrol officials informed us that they have no plans for new investments, despite repeated requests by the MOGE; their fields are too old and will not yield enough in production to justify the high costs. They could not envision the Chinese spending the money either, and discounted MOGE because it lacks the technology, equipment, and wherewithal to drill in high

pressure joints.

¶6. (C) Raymond Bona, General Manager of GoldPetrol, confirmed that Chinese-owned CNPC/Chinnery Assets recently discovered a new natural gas deposit in Pyitaung Tan field in Bago State, which could hold up to 300 billion cubic feet of gas. According to MOGE figures, CNPC's current operations in Pyitaung Tan yield a paltry 201 barrels a day, down from 2,435 barrels/day in 1970. With the new find, CNPC could produce up to 20 million cubic feet of gas per day, as well as 40 barrels of condensed gas. Although GoldPetrol could not provide details of CNPC's PSC with the GOB, he acknowledged that CNPC has the right to contract the sale of gas not retained for domestic use. China, Bona emphasized, is the real winner in this find.

Comment

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¶7. (C) Eager to pump as much oil and gas as possible, the Burmese Government has done little long term planning for the development of its onshore fields, many of which have been in production since the late 19th and early 20th centuries. Instead, the senior generals focus on how to make a quick dollar, draining the country's resources in the process. While they would like to persuade foreign investors to find additional reserves, they have failed to make exploration and production attractive to prospective investors despite the potential. Even Chinese are unlikely to invest out of altruism, but only if they can make money.

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